

COUNTY OF SAN DIEGO, CALIFORNIA
BOARD OF SUPERVISORS POLICY

Subject

Expenditure and Use of Revenue for Replacement and Expansion of Liquid Waste Facilities

**Policy
Number**

I-99

Page

1 of 3

Purpose

This policy defines the financial planning and budgeting requirements to provide funding for replacement and expansion of sanitary sewerage systems and facilities within the various County Dependent Sanitation Districts (sanitation districts for which the Board of Supervisors is the Board of Directors).

Definitions

For the purpose of this policy the following are defined:

1. Major Capital facilities or assets are defined as wastewater treatment plants, pumping stations, force mains, ocean and land outfalls, meter stations, interceptors and trunk systems.
2. Capital facility replacement means replacement of facilities with a like capacity or "in-kind" facility.
3. Capital facility expansion means replacement or construction of facilities with increased capacity to serve new users.

Background

Dependent sanitation districts are financed primarily through user fees. Additional funds may be obtained through grants, assessments, bonds and developer contributions.

Routine replacement or repair of sewerage systems and facilities is funded by annual sewer service charges (SSC). Replacement of facilities is usually required when facilities reach the end of their useful life. For the major facilities, that useful life varies from 25 to 60 years.

It is common industry practice that users of a sewer facility fund a capital replacement reserve. An appropriate way to do this is through setting aside a portion of the annual SSC so that funds are available for replacement projects when required.

Construction of new facilities or expansion of facilities to increase capacity are funded by new users through connection fees, developer contributions, assessments, bonds and other sources.

In some instances, expansion required for additional capacity and replacement due to obsolescence or end of useful life may occur at the same time. In such cases, it is

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Subject

Expenditure and Use of Revenue for Replacement and Expansion of
Liquid Waste Facilities

**Policy
Number**

I-99

Page

2 of 3

appropriate that costs be shared by both existing and future users. However, every effort should be made so that existing users shall not be required to fund facilities for expansion.

Policy

It is the policy of the Board of Supervisors acting as the Board of Directors of the County Dependent Sanitation Districts that:

1. The Dependent Sanitation Districts shall prepare a five-year Capital Improvement Program which documents the districts' replacement and expansion plans for major capital facilities. The plan shall be updated annually. Project costs shall be segregated into replacement and expansion accounts. The program shall show the beginning reserve balances.
2. The Dependent Sanitation Districts shall establish separate replacement and expansion reserve accounts to be used solely for replacement and expansion of major capital facilities, respectively.
3. Existing users of a Dependent Sanitation District's sewerage system shall provide funds for future replacement or rehabilitation of all of the system facilities. The funds for replacements shall be obtained from annual sewer service charges or the district's replacement reserve account. The annual contribution to the replacement reserve account shall be based on the uniform annual payment required to fully fund the anticipated major replacements in the five-year Capital Improvement Program. At a minimum, the reserve balances shall:
 - a. Provide for all emergency replacements that can reasonably be anticipated; and
Provide for funding 50% of the annual operations budget; and
Provide for funding of the planned Replacement Program.
4. New users shall provide funds for expansion of facilities or for new facilities. The connection fee charged new users per equivalent dwelling unit shall be reviewed annually to ensure that the fee is sufficient to provide for the cost of additional capacity required to serve the new users. The fee for capacity shall include treatment plant capacity (excluding METRO districts) plus collection and disposal system capacity. The cost of the capacity may be estimated for future facilities, or may be based upon the actual costs (adjusted for inflation) of existing facilities.
5. The Capital Improvement Program shall identify which assets are to be financed by bonds or certificates of participation thereby reducing the annual contributions used to fund future replacement and/or expansion projects.

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Subject

Expenditure and Use of Revenue for Replacement and Expansion of
Liquid Waste Facilities

**Policy
Number**

I-99

Page

3 of 3

6. Expansion reserve funds shall be obtained from the following sources: district connection fees, special connection fees, annexation fees, developer contributions, sale of property, bonds and miscellaneous sources such as interest, special charges, etc.

7. Interest accumulated in each reserve account shall remain in the account and be used to supplement the account.

8. The future cost for replacing or expanding facilities shall be computed using an inflation rate projected from previous inflation rates determined from the Engineering News Record Construction Cost Index. Calculation of the minimum annual reserve contribution shall be computed using a projected interest rate based upon previous rates of return from the County Treasury's "Pooled Money Fund".

9. An expected useful life span shall be established for each facility, based on engineering or industry standards and the districts' experience.

10. Cost for projects involving both replacement and expanded capacity shall be distributed proportionately to replacement and expansion accounts respectively.

Sunset Date

This policy will be reviewed for continuance by 12-31-03.

Board Action

8-3-83 (28)

10-17-89 (54)

4-14-99 (11)

CAO Reference

1. Department of Public Works